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SUBJECT: CONGRESSMAN MARKEY SHOWS OPTIMISM IN VIDEO CONFERENCE WITH
EUROPEAN COMMISSION

¶1. (SBU) Summary. Congressman Edward Markey (D-MA), Chairman of the House Select Committee on Energy Independence and Global Warming and co-author of the American Clean Energy and Security Act (ACES, also known as Waxman-Markey), told Commission officials and reporters that the Senate could pass similar legislation prior to Copenhagen on September 29. The Chairman's DVC with three of the Commission's chief climate officials - Karl Falkenberg, Director General for DG Environment; Matthew Baldwin, climate and energy advisor to President Barroso; and Nancy Kontou, Chief of Staff to Environment Commissioner Stavros Dimas - was well received and elicited several themes:

-- Concern on the part of the Commission that the Senate will not act on climate legislation during this year, as both administration and Congressional priorities are with health care. The Chairman explained that there was no confidence in Waxman-Markey either, but it passed in record time;

-- The Commission remains solely focused on Copenhagen and is concerned that both inertia in the Senate and the lack of pressure from the United States wnegotiate. The Chairma the Senate, noting tdrs were addressed by several Senators are pushuch as poss ible by Copenhaking carbon markets is ald Commission asar`@cd deo conference with keyion's climate to highlQd States has already tQlimate change.

He .on from the stimulus pack green energy technologies in U.S. CAFE stanQ He then turned to thQting that his legislat stakeholders, includingsry including coal, utilQng, agriculture, and reely supported bill. fered his congratulations to the Chairman for success in passing Waxman-Markey, as well as plans by Senators Boxer and Kerry to release teir bill. However, he expressed concern that Qhe bill will not unfold during this year, leavi.g the rest of the world to wait for the Senate to act. He noted that he understood thathealth care has taken priority in Washington, but questioned why President Obama has not endorsed Waxman-Markey or used his political influeQce to pressure the Senate.

¶4. (SBU) ChairmanMarkey responded to Falkenberg's concerns by noting that there were few "experts" predicting success for Waxman-Markey, but the legislatin passed the House in record time. He noted that President Obama has endorsed the legislation, and during his speech in New York, called Waxman-Markey "most important" in U.S. policy. Turning to the Senate, the Chairman acknowledged the challenge of health care, but said that the health care debate, when successful, should add momentum to the climate legislation. He also noted that since the bill has already been completed in the House, it will be more difficult for several Senators to vote against a comparable bill, particularly those who have endorsed climate legislation in the past.

Target Remains Copenhagen

¶5. (SBU) Falkenberg appreciated the Chairman's optimism, but continued to express doubt that the Senate would be far enough along

for the administration to negotiate strongly in Copenhagen. He noted that there are only 68 days left before Copenhagen, and the world is watching what is happening in the United States. Many, particularly China and India, want to see concrete content from the United States, and while Falkenberg is confident in the "outstanding people" and commitment from the administration, he questions how flexible the U.S. could be. He noted that there is a risk that the agreement only serves to highlight what countries are doing domestically and questioned what the UN negotiating process adds to the debate in that situation.

¶6. (SBU) The Chairman acknowledged Falkenberg's concerns, noting that it would certainly be better if the entire Congressional process was complete by Copenhagen. He expressed belief that significant progress can be made to aid in the preparation for Copenhagen. He relayed Congressional commitment, explaining that after Waxman-Markey was submitted, the Chairman travelled with Speaker of the House Nancy Pelosi to China, where they met with EUROPEAN COMMISSION

several officials at the top of the Chinese leadership to demonstrate U.S. intent to pass legislation. Additionally, Waxman-Markey contains several key provisions focusing exclusively on international climate efforts. He explained that the legislation allots approximately \$5 billion/year to address international deforestation, as well as up to \$4 billion/year each for international clean technology development and international adaptation. Addressing outcomes in Copenhagen, the Chairman expressed that ultimately, all countries must have a common plan by which everyone is bound.

Carbon Markets Remain Commission Priority

¶7. (SBU) Beyond Copenhagen, a key message from the Commission is the aim of a global carbon market, ideally to be led by the creation of a transatlantic carbon market. Falkenberg said that the United States and the EU need to look now at how to link the markets. However, he identified what he saw as two problems with Waxman-Markey: the inclusion of border adjustment measures and the existence of carbon price floors and ceilings. (Note: In separate meetings with Commission officials, the size and scope of the two systems has also been cited as a potential problem. The EU's Emissions Trading Scheme (ETS) makes up only 40-45% of the EU's economy, while Waxman-Markey covers 85% of the U.S. economy, incorporating both road transport and agriculture. It is the inclusion of agriculture that is most often noted as the larger problem. The Commission has indicated that it wants to set up a U.S.-EU working group to address these concerns. End note.) The Commission successfully fought against the inclusion of either in ETS, and Falkenberg believes those could present stiff obstacles. Additionally, Falkenberg explained that the details of international offsets need to be discussed and agreed, because only if the systems equally maintain the integrity of projects can the systems be linked.

¶8. (SBU) The Chairman was in full agreement that there must be a way to link carbon markets and that offsets are set up correctly. Addressing border adjustment measures, he explained that many members are concerned that China and others will take advantage of U.S. environmental laws for a competitive advantage. The provision written into Waxman-Markey is intended to send a signal to the U.S. steel, aluminium, and concrete industries. However, it is important to note that the bill confers Presidential authority beginning only in 2020. By then, the Chairman argued, there should exist a tight international regime, in which case there will be no need for border measures.

¶9. (SBU) The Chairman concluded the DVC by stating that China wants to be number one in everything, particularly green technologies. As such, if the United States does not move, it will be left behind. That is a key message that needs to be sent to elicit Senate attention and drive traditional U.S. technology optimism to solve a problem, so that ultimately, the United States will export technologies to China, and not the other way around.

Comment

¶10. (SBU) The DVC was an effective method of delivering the message from Washington to influential EU policymakers and press. All in attendance were appreciative of the Chairman's time and left the meeting with a better feeling of the situation in the United States than when they arrived. Falkenberg even mentioned that "it is not everyday I have the opportunity to speak to an influential Congressman." USEU strongly supports engagement of this nature and invites additional policymakers to take part in similar video conferences.

MURRAY